

CITY OF MILPITAS
CITY COUNCIL UTILITY RATE SUBCOMMITTEE

MEETING NOTES

Tuesday, March 22, 2005
City Hall, 1st Floor Committee Room

- I. Mayor Esteves called the meeting to order at 7:16 p.m.
- II. Attendees: Mayor Esteves, Councilmember Robert Livengood, Greg Armendariz, Darryl Wong, Emma Karlen, JoAnne Johnson, and Marilyn Nickel
- III. Announcements - There were no announcements
- IV. The agenda was approved.
- V. The minutes from April 18, 2003 were approved as submitted. The minutes from March 17, 2004 were approved with one correction at item VII.c. Wastewater rates would increase by \$2.09 per month instead of \$1.04 per month.
- VI. Citizens Forum
No Citizens present
- VII. Proposed Water, Recycled Water, and Sewer Rates
Darryl Wong presented a power point presentation reviewing proposed water, recycled water, and sewer rates. He stated that the best available budget information has been reviewed and the proposed rates are consistent with the Financial Utility Master Plan. A two-year rate schedule is proposed.

Discussion of Rate Recommendations:

- a. Water rates would increase by \$2.43 per month for 05-06 and \$2.09 per month for 06-07.
- b. Recycled water is set at 80% of potable rates to provide incentives for its use.
- c. Single family sewer rates would increase by \$2.26 per month for 05-06 and \$2.46 per month for 06-07.
- d. Non-residential rates are based upon effluent strength and would range from a decrease of 29% to an increase of 69% for 05-06. The 06-07 rates would range from a decrease of 5.5% to an increase of 19%. The flat rate would increase 9% each year.
- e. Darryl noted that the proposed 05-06 Milpitas single family utility bill falls into the lower half when compared against 04-05 rates of neighboring agencies. When the neighboring agency 05-06 rates are projected (by

assuming 05-06 rate increases based upon historical data of 11% for water and 7% for sewer), then the proposed 05-06 Milpitas single family utility bill falls into the lower third.

- f. Emma Karlen noted that the late payment penalties have resulted in fewer residential late payments per billing cycle. The percentage of reminder bills, tags, and turn-offs has decreased. There has been minimal effect on commercial accounts.
- g. The following information was provided in response to questions:
 - The average Milpitas residential utility bill is \$153.49 currently. This will increase to \$162.80 for 05-06.
 - Other communities may have lower utility rates than Milpitas partially due to our late buy-in at the WPCP. It was speculated that the water and sewer fund contributions to general fund for support staff also is a factor.

Direction to staff:

- a. Provide information on other city's contributions/allocations from water and sewer funds to general fund.
- b. Provide the revenue amount collected from late payments due to delinquent accounts.
- c. Subcommittee to review other city's allocations to general fund prior to determining whether to recommend the proposed utility rate structure.

VIII. Other Items

- a. Midtown/Growth Impacts

Darryl stated that Milpitas will need to purchase approximately 1 million gallons per day (mgd) wastewater treatment capacity at the Water Pollution Control Plant to meet existing zoning identified in the Sewer Master Plan and General Plan. Milpitas jointly funded a study with West Valley Sanitation District to determine whether they had excess capacity available. The preliminary results indicate that approximately 1 mgd capacity is available at a cost of \$6.7 million. Darryl noted that the City of San Jose may need future treatment capacity as well. In response to questions, Darryl noted that the treatment plant master agreement contains a formula to determine the cost of the capacity and identifies the process for purchase by other agencies.

Direction to staff:

- Pursue the purchase of 1 million gallons per day capacity from West Valley Sanitation District.
- b. Stormwater Rate Development Plan

Darryl reviewed the recommendations from the Financial Utility Master Plan: City should develop a revenue source to provide \$1 million annually for storm drain system operation and \$2 million annually for storm drain

capital improvements. The next steps would include hiring a consultant to develop a basis for storm drain rates and review billing implementation issues. Governor Schwarzenager has announced his support to modify Proposition 218 to exclude stormwater rates from the 2/3 voting requirements. A recent court decision noted that the City of Salinas improperly implemented stormwater rates by failing to subject the rates to a vote. In response to questions, Darryl noted that a consultant contract could cost \$30,000 and due to the uniqueness of each city, it would be impracticable to share costs with another city.

Direction to staff:

- Postpone storm drain rate development to allow governor the opportunity to modify Proposition 218 requirement on stormwater rates.

IX. Adjournment

The meeting was adjourned at 7:46 PM.